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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

Case No.: 12-30802
Chapter 7

WILLIAM F. GARLOCK
Debtor.

ELLA THOMAS, AN INDIVIDUAL; DAN
BRUNE, AN INDIVIDUAL; BRUNE
OROVILLE TIC, A CALIFORNIA LIMITED
LIABILITY COMPANY; JAMES AND
BARBARA NILES, INDIVIDUALS; NILES
ENTERPRISES LLC SERIES 1 A
DELAWARE LIMITED LIABILITY
COMPANY. BAT AMI GORDON, AN
INDIVIDUAL; MARY KAY PARKS, AN
INDIVIDUAL AND AS TRUSTEE OF THE
MARY KAY PARKS TRUST, ; S. CLAUDIA
M. CECILLON; AN INDIVIDUAL AND AS
TRUSTEE OF THE CECILLON FAMILY
TRUST; DOUGLAS A. SMITH an individual,
HARVEY BILLIG III and MELANIE BILLIG,
individuals, NORMAN and EDITH VAN
WOERKOM, individuals, JOAN OLMSTEAD

Adversary Proceeding No. 13-03174

**FIRST AMENDED COMPLAINT
FOR NONDISCHARGEABILITY
OF DEBTS**

an individual SHIRLEY NASON
GREENWOOD, an individual, FRANK
ANGELO ALIOTO AND ROSEMARY
ALIOTO as Trustees of the ALIOTO FAMILY
TRUST;; JOHN H. WARREN and SANDRA
A. WARREN, Trustees of the WARREN
FAMILY TRUST; TINA MURCHISON,
Successor Trustee of the ROBERT R. AVIS
TRUST; SUMNER & SURFSIDE LLC, a
Nevada limited liability company; GEORGE M.
BERBERICH, an individual; RYOJI SAKAUE,
an individual; KIYOKO SAKAUE, an
individual; LIGHTSPRINGS HOLDINGS LLC,
a California limited liability company, LESLIE
MATHEWS, an individual; PETER
MATHEWS, an individual; LESLIE
MATHEWS and PETER MATHEWS as
trustees of the PETER GREENE MATHEWS
AND LESLIE ANN DAVIS MATHEWS
REVOCABLE INTER VIVOS TRUST, a trust;
LESLIE MATHEWS and PETER MATHEWS
as trustees of the JEFFREY ROBERT
MATHEWS IRREVOCABLE TRUST, a trust;
LESLIE MATHEWS and PETER MATHEWS
as trustees of the RYAN DAVIS MATHEWS
IRREVOCABLE TRUST, a trust, RONALD
CONKLIN, an individual; ROBERT
CONKLIN, an individual; JOELLE CALTON
an individual, CLAUDIA ESQUIVEL an
individual, DAN BRUNE an individual, and
GARY CECCATO an individual; JOAN
KENT, an individual; CLARK HUTCHINGS,
an individual; KARL KREIDT, an individual,
LISA FARIA, an individual, GLOBAL
VENTURE CAPITAL GROUP,LLC, a limited
liability corporation; JOHN COMYNS and
TERESA COMYNS; individuals; LEONARD
SKLAR an individual; MYLENE ANSARI, an
individual, RICHARD HARRINGTON, an
individual; WAG HOTELS, a California
Corporation, ALBERT PLUTE, an individual
JINA FARZIMPOUR, an individual;
JOHANNES WANG, an individual, MONICA
HUJAZI an individual; ROBERT FOPPOLI an
individual; MARK STUHLKEN as the trustee
for the STUHLKEN FAMILY TRUST; GREG

and JEANNIE MACDOUGAL, individuals:
ERICA STANLEY, CONSERVATOR FOR
THE PERSON AND ESTATE OF ROBERT
LOUIS STANLEY, an individual;

PLAINTIFFS,

VS.

WILLIAM F. GARLOCK, AN INDIVIDUAL;
ROSEMARY GARLOCK, AN INDIVIDUAL.
Defendants.

COMPLAINT TO DETERMINE DISCHARGEABILITY OF DEBTS

I. INTRODUCTION

This is an adversary proceeding to determine dischargeability of debts pursuant 11. U.S.C. Section 523 (a) (2)(A),(4) and (6). The amount of the debts owed to the plaintiffs in this action exceeds \$30,000,000. Defendant incurred these judgments by operating a giant real estate Ponzi scheme, stealing in excess of \$80 million dollars from numerous investors, both large and small.

II. JURISDICTION AND VENUE

This adversary proceeding is brought in connection with Defendant's case Number 12-30802 under Chapter 7 of Title 11 of the United States Code Section 523(c) and Title 289 of the United States Code Section 157(b) and 1334. This case is a proceeding to determine the dischargeability of debts. This adversary proceeding is a "core proceeding" as provided in Title 11 of the United States Code Section 157(b)(2)(1). Venue is proper in this court pursuant to Title 28 of the United States Code, Section 1409.

III. PARTIES

A. Plaintiffs-The Feather River Property

1. Dan Brune is lives in Santa Cruz and invested with William F. Garlock in the Feather River Property.

2. Ella Thomas lives in San Mateo County and who invested with William F. Garlock in the Feather River Property.
3. Bat Ami Gordon lives in Los Angeles County and who invested with William F. Garlock in the Feather River Property.
4. James and Barbara Niles are individuals, husband and wife who reside in San Mateo County and who invested with William F. Garlock in the Feather River Property.
5. The estate of Mary Kay Parks, an individual, who resided in Monterey County, California and owned a 40.42% interest in the Feather River Property as trustee of the Mary Kay Parks 1999 Trust who invested with William Garlock in the Feather River Property.
6. S. Claudia M. Cecillon as an individual who resides in San Francisco County and as Trustee of the Cecillon Family Trust, invested with William Garlock in the Feather River Property and the Museum Parc Garage.
7. Mark Stuhlken invested in the Feather River property via an LLC.

Plaintiffs-The Museum Parc Garage

8. Douglas A. Smith lives in Palo Alto, Santa Clara County, California.
9. Harvey Billig III and Melanie Billig are husband and wife who reside in Carmel, Monterey County California and invested in the Museum Parc Garage.
10. Norman and Edith Van Woerkom are husband and wife who reside in Los Gatos, Santa Clara County, California and invested in the Museum Parc Garage.
11. Joan Olmstead lives in Florida and invested in the Museum Parc Garage.
12. Shirley Nason Greenwood lives in Santa Cruz, Santa Cruz County, California and invested in the Museum Parc Garage.

1 13. Plaintiff Peter and Leslie Mathews are individuals who reside in Marin County California
2 who made numerous investments with William F. Garlock including the Museum Parc
3 Garage, and 642 Harrison on behalf of themselves and various family trusts.

4 14. The individuals listed in paragraphs 8 -13 invested in a parking garage located at the corner
5 of Third and Folsom Street in San Francisco. This property will be referred to hereinafter
6 as "The Museum Parc Garage."
7

8 **Plaintiffs-Museum Parc Retail Project**

9 15. Plaintiffs Frank Angelo Alioto and Rosemary Alioto are husband and wife who reside in
10 San Rafael, Marin County, California and are bringing suit as Trustees of the Alioto
11 Family Trust. They invested in the Museum Parc Retail project.
12

13 16. Plaintiffs John H. Warren and Sandra A. Warren are husband and wife who reside in
14 California and are bringing suit as Trustees of the Warner Family Trust. They invested in
15 the Museum Parc Retail project. They invested in the Museum Parc Retail project.
16

17 17. Plaintiff Tina Murchison lives in Salzer, Texas, and is bringing suit on behalf of and as
18 Successor Trustee of the Robert R. Avis Trust. They invested in the Museum Parc Retail
19 project.

20 18. Plaintiff Sumner & Surfside LLC is a Nevada limited liability company, a company
21 organized and existing under the laws of the State of California, with its principal place of
22 business in Santa Cruz, California. They invested in the Museum Parc Retail project.
23

24 19. Plaintiff George M. Berberich lives in Emerald, San Mateo County, California. They
25 invested in the Museum Parc Retail project.

26 20. Plaintiffs Ryoji Sakaue and Kiyoko Sakaue are husband and wife who reside in
27 Watsonville, California. They invested in the Museum Parc Retail project.
28

1 21. Lightsprings Holdings LLC is a California limited liability company, with its principal
2 place of business in Groveland, California. They invested in the Museum Parc Retail
3 project.

4 22. All of the plaintiffs listed above in paragraphs are investors and owners of the retail parcel
5 of a property located at the corner of Third and Folsom Street in San Francisco, California,
6 known as Museum Parc, hereinafter referred to as “ the Museum Parc Retail Parcel” .
7

8 **Plaintiffs-Peter and Leslie Mathews**

9 23. Peter Mathews and Leslie Mathews are, and at all time relevant herein were, persons over
10 the age of eighteen residing in Marin County, California.

11 24. Peter Mathews and Leslie Mathews are the duly appointed trustees of the Peter Greene
12 Mathews and Leslie Ann Davis Mathews Revocable Inter Vivos Trust (“Mathews Trust”)
13 and bring this action on behalf of the trust.
14

15 25. Peter Mathews and Leslie Mathews are the duly appointed trustees of the Jeffrey Robert
16 Mathews Irrevocable Trust (“Jeffrey Trust”) and bring this action on behalf of the trust.
17

18 26. Peter Mathews and Leslie Mathews are the duly appointed trustees of the Ryan Davis
19 Mathews Irrevocable Trust (“Ryan Trust”) and bring this action on behalf of the trust.

20 27. The plaintiffs referred to in the previous properties all invested in numerous properties
21 with William Garlock.

22 28. Plaintiff Monica Hujazi is an individual who retained Garlock to handle mortgage services
23 for her.
24

25 **Plaintiffs-642 Harrison Street Investment**

26 29. Plaintiff Clark Hutchings is a individual who invested with William F. Garlock in 642
27 Harrison Street.
28

1 30. Plaintiff Lisa Faria is a individual who invested with William F. Garlock in 642 Harrison
2 Street.

3 31. Albert Plute is a individual who invested with William F. Garlock in 642 Harrison Street.

4 32. Robert Foppoli lives in California and invested in real estate with William F. Garlock. in
5 642 Harrison Street.
6

7 **Remaining Investors**

8 33. Global Ventures LLC is a limited liability company who invested in real property with
9 William Garlock.

10 34. Plaintiff Richard Harrington is an individual, who resides in Florida and invested in real
11 estate with William F. Garlock.
12

13 35. Plaintiff Wag Hotels in a California Corporation and invested in real estate with William
14 Garlock.

15 36. Plaintiff Mylene Ansari is an individual who invested in real estate properties and was an
16 employee of William Garlock.
17

18 37. Dereck Kozakco is a contractor who performed services for Garlock in San Mateo
19 County.

20 38. Gary Ceccato is an individual who lives in San Mateo County and invested in real estate
21 including the trailer park located 1836 Woodland Avenue with William Garlock.
22

23 39. Robert Montgomery lives in San Mateo County and invested with William F. Garlock

24 40. Jina Farzimpour lives in San Mateo invested in real estate with William F. Garlock.

25 41. Leonard Sklar lives in San Mateo County, and invested in real estate with William
26 Garlock.
27
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1 42. Mark Stuhlken is an individual who is trustee for the Stuhlken Family Trust, located in
2 Redmond Washington whose family invested in a real estate investment with William F.
3 Garlock.

4 43. Plaintiff Greg and Jeannie MacDougall are individuals who reside in San Mateo County,
5 California.

6 44. Plaintiff Erica Stanley is an individual residing in Santa Clara County.

7 45. Plaintiff Karl Kreidt lives in California and invested with William Garlock.

8
9 **B. Defendants**

10 46. Defendant William F. Garlock is an individual, a licensed real estate broker (DRE #
11 00483060), resides in Atherton, California, and does business in Menlo Park, California.

12 47. Defendant Rosemary Garlock is a natural person and the wife of defendant William F.
13 Garlock and resides in Atherton, California.

14
15 **IV. FACTS RE FEATHER RIVER**

16
17 48. Plaintiffs reallege and incorporate by reference the preceding paragraphs as though fully
18 set forth herein.

19 49. The investors in the Feather River Property are Ella Thomas, Dan Brune, as Brune
20 Oroville TIC, A California Limited Liability Company; James And Barbara Niles,
21 Individuals; Niles Enterprises LLC Series 1, A Delaware Limited Liability Company. Bat
22 Ami Gordon,, Mary Kay Parks, An Individual And As Trustee Of The Mary Kay Parks
23 Trust, ; Mark Stuhlken and S. Claudia M. Cecillon; An Individual And As Trustee Of The
24 Cecillon Family Trust.

25
26 50. Feather River Village is a two parcel retail mall located at 495-491 Oro Dam Blvd
27 Oroville, California.
28

1 51. Until September of 2007, Margaret Scheinman, Melvin Scheinman, and Alyce McLeod
2 owned the Feather River Village.

3 52. At the time, the Feather River Village was not fully leased, not fully occupied, and had
4 severe mold problems throughout the property. It would not generate enough cash flow to
5 debt service the mortgages necessary to purchase the property.
6

7 53. In early 2007 William Garlock met with Margaret Scheinman, Melvin Scheinman, and
8 Alyce McLeod and agreed to purchase the property. However it was agreed among the
9 defendants that he was not going to purchase it from them directly, rather he was going to
10 sell shares in the property to third parties.
11

12 54. It was also agreed that Garlock would have shell corporations he owned and controlled
13 lease the vacant space in the shopping center so that the financial statements of the
14 shopping center would appear more favorable to investors.

15 55. Garlock executed these leases.

16 56. Garlock began to market the properties. As part of this process he produced a brochure
17 listing the investment benefits of the Feather River property.
18

19 57. He also wrote a "confidential private placement memorandum" setting forth the
20 requirements and various specific details regarding the investment.

21 58. At the time that Garlock drafted these documents, he, knew about the true condition of the
22 property.
23

24 59. Realizing that the property would not sell if the true condition of the property were know,
25 defendants, and each of them decided that they would conceal the true condition of the
26 property from any prospective purchasers.
27
28

1 60. Plaintiffs are informed and believe and thereon allege that they instructed their listing
2 agent, Bud Turner, to tell prospective purchasers that they could not view all parts of the
3 property because it would interfere with the lessor's operations. He was also instructed to
4 conceal other negative facts.

5 61. When Mr. Turner objected to operating in this fashion, he was terminated from his agency
6 position.

7 62. On or about September 2007, William F. Garlock, persuaded plaintiffs to invest in the
8 Feather River Village as tenants in common.

9 63. As part of persuading the investors to purchase this property Garlock wrote out a and gave
10 to each prospective investor a "confidential private placement memorandum."

11 64. To persuade plaintiffs to invest, Mr. Garlock represented to plaintiffs and each of them, in
12 person, over the telephone, and by letters, in the brochure and the private placement
13 memorandum and in various documents other sent through the United States mail that the
14 following facts were true.

15 65. That the Feather River property was fully leased.

16 66. That the property consisted of 38,000 rentable square feet.

17 67. That as of October 31, 2007, the current owner of the property (the Scheinmans and Alice
18 McLeod) had executed 23 leases for approximately one hundred percent (100%) of its
19 rentable square feet of improvements.

20 68. That three of the units were leased to an affiliate of the Sponsor for 5 year terms.

21 69. That prior to the sale of the property the Sponsor (i.e. Garlock), or its affiliate, will enter
22 into an easement to permit access to the property to the adjoining parcel owned by the
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1 sponsor or its affiliate. Such easement will result in the purchasers receiving an \$869,000
2 amortized over a five year period.

3 70. That Garlock had already spent hundreds of thousands of dollars to reface the exterior of
4 the buildings and conduct mold remediation throughout the property.

5 71. That William F. Garlock and Garlock and Company had a long history of buying and
6 reselling properties and that individual who invested with Garlock had made substantial
7 financial returns.
8

9 72. The Garlock represented to that the Feather River Village had sufficient rental income
10 from the tenants to generate the necessary monthly return on investment payments to the
11 investors as well as the other related costs and expenses.
12

13 73. Mr. Garlock told the investors that he would take all necessary steps to manage the
14 property and to insure that the underlying mortgages would be paid.

15 74. Mr. Garlock and represented that the Feather River Village retail parcel had an appraised
16 value of ten million dollars (\$10,000,000) and that they that he had an appraisal showing
17 that the property was valued at that amount.
18

19 75. These statements were false.

20 76. The property was not fully leased. The lease with Garlock was a sham lease, the entities
21 leasing the property did not intend to occupy the property, were not financially viable such
22 that the entities could pay the rent.
23

24 77. The property did not consist of 38000 usable square feet, at least 6000 of those feet were
25 unusable due to the condition of the property which was infected with mold.

26 78. There was no such easement for which the plaintiffs could be paid, this was a standard
27 Garlock marketing come on, which he had used in numerous other schemes.
28

1 79. The property was not worth 10 million dollars.

2 80. Garlock had no intention of managing the property as a separate entity. Rather this
3 purchase was simply one more in an ongoing system of frauds that Garlock had been
4 perpetuating.

5 81. Contrary to Mr. Garlock's representations and creation of the documents identified above ,
6 the retail parcel was not self-sustaining, the lease income did not even minimally generate
7 enough cash to service the necessary expenses of operating Feather River Village as well
8 as debt service the mortgage.

9
10 82. Mr. Garlock represented he would manage the operation of the property for the plaintiffs
11 and as a condition of investing, required that they sign a contract with him allowing him to
12 have absolute control of managing the property and that he could not be terminated for any
13 reason.

14
15 83. The purpose of this contractual clause was to enable Garlock to steal the rents.

16 84. Mr. Garlock represented to plaintiffs, particularly Mary Kay Parks, that it was wise and
17 prudent for plaintiffs to invest all of their retirement funds and available capital with him.

18
19 85. To support his representations and assertions, Mr. Garlock produced income and balance
20 statements and other financial data.

21 86. Plaintiffs allege that at the time that Garlock prepared these statements, he knew that the
22 purpose of these statements was to induce investors to invest in the Feather River Village
23 properties.

24
25 87. At the time that Garlock prepared these statements, he knew or should that the information
26 they were including in the financial data was not accurate.

1 88. Mr. Garlock represented to the plaintiffs that the financial data and statements provided
2 were accurate pictures of the financial condition of the retail parcel of Feather River
3 Village.

4 89. As part of his plan to get the individuals to invest, Mr. Garlock represented that he had an
5 appraisal showing that the value of their investment was in excess of ten million dollars
6 (\$10,000,000).
7

8 90. Plaintiffs are informed and believe and thereon allege, that defendants, and each of them,
9 conspired with the appraiser to inflate the value of the property.

10 91. Plaintiffs are informed and believe and thereon allege that the appraiser, for compensation
11 received from defendants, inflated the appraisal value of the subject real property.
12

13 92. The facts alleged in Mr. Garlock's and the seller's representations and the documents
14 above were not true.

15 93. In his "Ponzi scheme," Mr. Garlock would persuade individuals to invest in real estate
16 projects such as the Feather River Village project by setting up transactions as part of a
17 Starker Exchange under 26 U.S.C. section 1031 (Internal Revenue Code). The benefit of a
18 Starker Exchange is that it permits the involved individuals to defer paying taxes on the
19 increases in value on their property. Specific legal requirements govern the participation in
20 this type of exchange.
21

22 94. In his "Ponzi scheme," Mr. Garlock would first purchase plaintiffs' properties pursuant to
23 a Starker Exchange, thus acquiring all of plaintiffs' real estate.
24

25 95. Then Mr. Garlock, by means of various false representations, would persuade the investors
26 to re-invest with him, permitting him to acquire their property for no cash outlay.
27
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1 96. Plaintiffs are informed and believe that Mr. Garlock also paid himself a real estate
2 transaction fee on these transactions.

3 97. After the individuals had invested in the property in this case, Feather River village, Mr.
4 Garlock engaged in the following actions.

5 98. Mr. Garlock would then cease making payments on the mortgages, quit paying dues, quit
6 paying taxes, and quit paying the investors.

7
8 99. Defendant Rosemary Garlock is the primary shareholder of Karlo LLC, Karlo II LLC, and
9 multiple other business entities, including limited liability companies, into which monies
10 were siphoned from the owners' operational and loan accounts for the exclusive benefit of
11 Mr. Garlock and his business entities.

12
13 100. Rosemary Garlock participated in the process of taking funds from the plaintiffs by taking
14 money in and out of the various accounts for the purpose of making the funds difficult to
15 trace, evading income taxes, and permanently depriving plaintiffs of their equity in the
16 property.

17
18 101. Plaintiffs allege that among the various uses of the funds, Mr. and Mrs. Garlock personally
19 and by means of their various business entities, including limited liability companies,
20 siphoned off money to pay for Rosemary Garlock's show horses and Mr. Garlock's strings
21 of polo ponies.

22 102. Additionally, Garlock through other Garlock business entities prepared falsified and
23 unsecured note payables, loan payables, trade payables, advances, trade payables,
24 accounting records, financial statements, and tax returns, which were then authorized for
25 payment by defendants. These actions were done by these individuals with knowledge of
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1 their falsity and illegality, and with the intent to deprive plaintiffs of their money and the
2 equity in plaintiffs' property.

3 103. Disbursement checks and wire transfers of the misappropriated funds were authorized by
4 Mr. Garlock. None of the siphoned accounting transactions were ever disclosed to or
5 approved by the plaintiffs and most of these transactions were hidden in the financial
6 statements and operational statements.

7
8 104. The tax benefits of the section 1031 Starker exchange would be negated and plaintiffs
9 would have to pay substantial amounts of interest and income tax penalties if the loan was
10 recorded only against some tenancy in common owners and not others.

11 105. Plaintiffs are informed and believe and thereon allege that Mr. Garlock and his various
12 business entities and LLCs, including the above named defendants, have previously
13 engaged in these patterns and business practices.

14
15 106. Pursuant to defendants William F. Garlock's agreement with plaintiffs, and each of them,
16 plaintiffs were persuaded to invest approximately five million dollars . In return, Mr.
17 Garlock promised to pay plaintiffs a fixed rate of return on their investment.

18
19 107. In these transactions, Mr. Garlock represented both himself and plaintiffs and paid himself
20 a real estate commission fee.

21 **FIRST CLAIM FOR RELIEF**

22 **(To Determine DISCHARGEABILITY of Debts for Property Obtained by False Pretenses,
23 False Representations or Actual Fraud)**

24 **11 U.S.C §523(a)(2)(A)**

(On Behalf of the Investors in the Feather River Property)

25 1. Plaintiff incorporates each and every allegation set forth in the preceding paragraphs as
26 though fully set forth herein.
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2. In all the above transactions, Garlock made following statements both in writing and orally regarding the Feather River Property.
3. That the property would cash flow.
4. That the property was fully leased
5. That the property value he represented it to be was the true value of the property.
6. That he would manage the property for the investors .
7. That he would pay the investors a guaranteed return.
8. These statements were false.
9. The properties did not cash flow, were not fully leased, were overvalued, and would not support the return he was promising.
10. Garlock made these statements knowing they were false.
11. Plaintiffs were justified in relying on plaintiffs representations because Garlock was a licensed real estate broker, he held himself out on his web site as an extremely experienced real estate investor, and he had numerous other credible individuals vouching for him.
12. As a result of Garlocks written and oral representations, plaintiffs, and each of them, lost substantial sums of money if not their entire investment.
13. Wherefore plaintiffs request that Garlock's debts related to Feather River be declared nondischargeable.

V. FACTS RE THE MUSEUM PARC GARAGE

14. Plaintiffs reallege and reincorporate the proceeding paragraphs as though fully set forth herein.
15. The investors in the Museum Parc Garage are : Claudia M. Cecillon; An Individual And As Trustee Of The Cecillon Family Trust; Douglas A. Smith An Individual, Harvey Billig

Iii And Melanie Billig, Individuals, Norman And Edith Van Woerkom, Individuals, Joan Olmstead An Individual Shirley Nason Greenwood, An Individual and Leslie and Peter Green Mathews on behalf of the Mathews Family Trust. .

16. Museum Parc is a building located at the corner of Third and Folsom Street in San Francisco. The building houses condominiums, a number of businesses including a health club and restaurants, and a parking garage.

17. The property ownership is divided into three sections. The parking garage is owned by a group of investors as tenants in common. The condominiums are owned by their residents. The retail parcel, which consists of the businesses operating in the building, is owned by plaintiffs as tenants in common.

18. There is the garage owners' association, the merchant owners' association, and the condominium owners' association. These are under the umbrella of the master owners' association, which has a board of directors with three members.

19. The investors in the Museum Parc Garage are : Claudia M. Cecillon; An Individual And As Trustee Of The Cecillon Family Trust; Douglas A. Smith An Individual, Harvey Billig Iii And Melanie Billig, Individuals, Norman And Edith Van Woerkom, Individuals, Joan Olmstead An Individual Shirley Nason Greenwood, An Individual and Leslie and Peter Green Mathews on behalf of the Mathews Family Trust.

20. Garlock, both individually and through his agents, including Michael Conte, represented to the Plaintiffs the property would generate a guaranteed profit of 9% per year.

21. To support this representation, Garlock, faxed and mailed to the plaintiffs copies of financial statements which he represented were an accurate financial picture of the garage operations.

22. In reliance of Garlock's representations about the income of the property, on or about November 12, 2004, the Plaintiffs purchased from Garlock's company GFT Properties,

1 LLC an interest of approximately 36 % interest as tenants in common in a public parking
2 garage located at 300 Third Street in San Francisco, California, commonly known as
3 Museum Parc Garage. The Plaintiffs paid \$1,944,000 in cash and assumed the existing
4 financing on the property. Again, the purchase was made in reliance on Garlock's
5 guaranty that the property would generate at least 9% of net income each year.

6 23. Effective November 1, 2004, Garlock, through his company 3333 El Camino Real, LLC,
7 executed a master lease under which Garlock assumed control for management of the
8 garage.

9 24. Under the terms of the Master Lease, as tenant Garlock agreed that:
10 During all the Term of the Master lease, Rent per month shall be \$74,333.33
11 (NNN).

12 Tenant shall be responsible for 100% of the NNN charges¹ on the property.

13 Tenant, at its sole cost shall maintain and repair the non-structural portions of the
14 Premises (latent defects excepted) and every part thereof, including interior
plumbing and electrical systems, and the interior portions of the Premises.

15 Tenant may ... sublease all or part of the Premises, without receipt of Landlord's
16 consent. ... Each assignment or sublease shall be subject and subordinate to the
17 provisions of the Master lease.

18 25. Garlock continued to pay the purported "net" income to the Plaintiffs each month until
19 April 2008.

20 26. Plaintiffs also learned subsequently that Garlock was taking cash from the garage with the
21 aid of the operations manager, Biruk Tadesse.

22 27. After learning that Garlock had failed to pay both property taxes and local parking taxes
23 for the property, the Plaintiffs along with the other TIC owners gave Garlock notice of
24 default of the master lease and demanded he immediately vacate the property.
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¹ NNN Charges are the operating expenses for the property, including insurance and property and parking taxes.

1 28. Plaintiffs are informed and believe and thereon allege Garlock, either individually or
2 through his agents, removed the Computerized Valet Parking System from the garage after
3 he received the notice of default. This equipment contained the cash receipts records.

4 29. Garlock also failed to turn over any rents collected for two weeks after the master lease
5 was terminated or any deposit reserves previously received from current tenants.
6

7 30. The Plaintiffs also are informed and believe Garlock engaged in improper accounting
8 practices and mismanagement of this property, including but not limited to, entering into
9 certain notes payable and notes receivable with Garlock's other business entities and for
10 which there was no written documentation.
11

12 31. Furthermore, as a result of Garlock's mismanagement of the property plaintiffs were
13 forced to incur additional personal liability of approximately \$631,884.00 (includes escrow
14 charges) which they were forced to borrow to pay off past due property taxes and
15 assessments related to Museum Parc.
16

17 32. In addition, as a result of a lawsuit brought by the Museum Parc tenants association for
18 damages caused by Garlock's failure to maintain his obligations to the building, the
19 plaintiffs were ordered to pay an award of \$28,000 in attorney's fees.

20 33. To induce Plaintiffs to invest in Museum Parc, Garlock and his authorized agents, made
21 material false representations to the authorized agents of Plaintiffs, and to each of them,
22 regarding, among other things, the expected net income from the properties, plans for
23 development of the properties, the expected return on investment in the Museum Parc and
24 the ability to have Plaintiffs' investment in the Museum Parc returned.
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1 34. When Defendants made these representations, they knew them to be false and made these
2 representations with the intention to deceive Plaintiffs and to induce Plaintiffs to act in
3 reliance or with the expectation that Plaintiffs would so act.

4 35. Plaintiffs, at the time these representations were made by Defendants and at the time the
5 Plaintiffs purchased the properties or investments, were ignorant of the falsity of
6 Defendants' representations and believed them to be true. In reliance on these
7 representations, Plaintiffs were induced to and did purchase real property
8

9 36. Had Plaintiffs known of the actual facts, they would not have taken such action.

10 37. Plaintiffs' reliance on Defendants' representations was justified because Garlock and his
11 agents were represented to the Plaintiffs and held themselves out as experienced and
12 successful in their fields.
13

14 38. Garlock was represented to Plaintiffs as a successful real estate developer and financier
15 and Garlock held himself out to the public as the same.

16 39. Furthermore, Garlock produced to plaintiffs, by fax and U.S. Mail, copies of documents
17 that he represented orally were accurate financial statements, including balance sheets,
18 income and expense statements, and profit and loss statements.
19

20 40. The true facts were that these financial statements were not an accurate financial picture of
21 the operations of the Museum Parc Garage; rather they were a complete fiction.

22 41. Garlock and the other defendants knew that these representations were not accurate.
23

24 42. Similarly, Conte was introduced to the Plaintiffs as an experienced and successful
25 investment advisor and someone with significant experience and success in dealing with
26 Garlock.
27
28

43. As a direct and proximate result of the fraudulent conduct of Defendants, Plaintiffs were induced to invest in Museum Parc, by reason of which Plaintiffs have suffered damages including, but not limited to, the loss of or decrease in value of the initial investment, increased operating expenses, lost income and legal fees and costs.

44. In addition, when the property was up for sale, Garlock, through his agent Jonathan Fried, filed false foreclosure papers and attempted to deprive plaintiffs of the sale proceeds, claiming he was due \$7,000,000 to himself. This was done by the filing of a counterfeited note.

45. As a result of that action, plaintiffs incurred additional losses of approximately \$1,000,000.

SECOND CLAIM FOR RELIEF
(To Determine DISCHARGEABILITY of Debts for Property Obtained by False Pretenses, False Representations or Actual Fraud)
11 U.S.C §523(a)(2)(A)
(The Museum Parc Garage)

46. Plaintiff incorporates each and every allegation set forth in the preceding paragraphs as though fully set forth herein.

47. In all the above transactions, Garlock made following statements regarding the Museum Parc Garage.

48. That the property would cash flow.

49. That the property value he represented it to be was the true value of the property.

50. That he would manage the property for the investors .

51. That he would pay the investors a guaranteed return of between 9-11%.

52. These statements were false.

53. The properties did not cash flow and would not produce the 9% the return Garlock was promising.

1 54. Garlock made these statements knowing they were false.

2 55. Plaintiffs were justified in relying on plaintiffs representations because Garlock was a
3 licensed real estate broker, he held himself out on his web site as an extremely experienced
4 real estate investor, and he had numerous other credible individuals vouching for him.

5 56. As a result of Garlocks written and oral representations, plaintiffs, and each of them, lost
6 substantial sums of money in excess of \$1,000,000.

7 57. In addition, Garlock stole significant amounts of cash from daily receipts.

8 58. Wherefore plaintiffs request that Garlock's debts be declared nondischargeable.

9
10 **VII. FACTS RE THE MUSUEM PARC RETAIL PROPERTY**

11 59. The investors in the Museum Parc Retail Parc Property are: Frank Angelo Alioto And
12 Rosemary Alioto As Trustees Of The Alioto Family Trust; John H. Warren And Sandra A.
13 Warren, Trustees Of The Warren Family Trust; Tina Murchison, Successor Trustee Of The
14 Robert R. Avis Trust; Sumner & Surfside LLD A Nevada Limited Liability Company;
15 George M. Berberich, An Individual; Ryoji Sakaue, An Individual; Kiyoko Sakaue, An
16 Individual; and Lightsprings Holdings LLC A California Limited Liability Company,

17
18 60. On or about September 2004, defendant William F. Garlock persuaded plaintiffs to invest
19 in the retail parcel of Museum Parc as tenants in common.

20
21 61. Pursuant to defendant William F. Garlock's agreement with plaintiffs, and each of them,
22 plaintiffs were persuaded to invest five million dollars (\$5,000,000) in the retail parcel. In
23 return, Mr. Garlock promised to pay plaintiffs a fixed rate of return on their investment.

24
25 62. All plaintiff investors except plaintiff George M. Berberich invested their funds via means
26 of a Starker Exchange under 26 U.S.C. section 1031 (Internal Revenue Code).

1 63. In these transactions, Mr. Garlock represented both himself and plaintiffs and paid himself
2 a real estate commission fee.

3 64. To persuade plaintiffs to invest, Mr. Garlock represented to plaintiffs in person, over the
4 telephone, and by letters sent through the United States mail that the following facts were
5 true.
6

7 65. Mr. Garlock represented that the building had sufficient rental income from the tenants to
8 generate the necessary monthly (return on investment) payments to the investors as well as
9 the other related costs and expenses.

10 66. Mr. Garlock represented he had two seats on the master owners' association board of
11 directors and would act on behalf of plaintiffs and that this was easy for him to do because
12 he had the majority of votes on the board of directors.
13

14 67. Mr. Garlock represented he would assume responsibility for handling the merchants' funds
15 as they related to the payment of association dues and would do so in a straightforward and
16 honest fashion and that he would pay the dues from the operating revenues from the retail
17 parcel.
18

19 68. Mr. Garlock represented he would take all necessary steps to insure that the underlying
20 mortgages would be paid because he held the majority of seats on the board of directors.

21 69. Mr. Garlock represented that the Museum Parc retail parcel had an appraised value of eight
22 million dollars (\$8,000,000).
23

24 70. Mr. Garlock represented he would manage the operation of the property for the plaintiffs
25 and attend board of directors' meetings as plaintiffs' representative.

26 71. Mr. Garlock represented that the investment was "risk free."
27
28

1 72. Mr. Garlock represented it was wise and prudent for plaintiffs to invest all of their
2 retirement funds and available capital with him.

3 73. To support his representations and assertions, Mr. Garlock produced documents.

4 74. Mr. Garlock produced income and balance statements and other financial data .

5 75. Mr. Garlock represented to the investors that the financial data and statements provided
6 were accurate pictures of the financial condition of the retail parcel of Museum Parc.
7

8 76. As part of his plan to get the individuals to invest, Mr. Garlock provided an appraisal to
9 each plaintiff showing that the value of their investment was in excess of eight million
10 dollars (\$8,000,000).
11

12 77. The appraisal firm Hamilton & Ricci that appraised the firm performed all of Mr.
13 Garlock's appraisals on all of his property.

14 78. Plaintiffs are informed and believe and thereon allege that the appraisal firm, due to their
15 relationship with Mr. Garlock, as well as for compensation, inflated the values of the
16 subject real property.
17

18 79. The facts alleged in Mr. Garlock's representations and the documents above were not true.

19 80. Contrary to Mr. Garlock's representations and the documents above, the retail parcel was
20 not self-sustaining.

21 81. Unbeknownst to plaintiffs, Mr. Garlock had, since as far back as 1992, been operating a
22 "Ponzi scheme" whereby he, by various illegal means and methods, had been pyramiding
23 his investments.
24

25 82. In his "Ponzi scheme," Mr. Garlock would persuade individuals to invest in real estate
26 projects such as the Museum Parc project by setting up transactions as part of a Starker
27 Exchange under 26 U.S.C. section 1031 (Internal Revenue Code). The benefit of a Starker
28

1 Exchange is that it permits the involved individuals to defer paying taxes on the increases
2 in value on their property. Specific legal requirements govern the participation in this type
3 of exchange.

4 83. In his "Ponzi scheme," Mr. Garlock would first purchase plaintiffs' properties pursuant to
5 a Starker Exchange, thus acquiring all of plaintiffs' real estate.

6
7 84. Then Mr. Garlock, by means of various false representations, would persuade the investors
8 to re-invest with him, permitting him to acquire their property for no cash outlay.

9 85. Plaintiffs are informed and believe that Mr. Garlock also paid himself a real estate
10 transaction fee on these transactions.

11 86. After the individuals had invested in the property in this case, Museum Parc, Mr. Garlock
12 engaged in the following actions.

13
14 87. Mr. Garlock contacted the tenants of the retail parcel. He then offered the tenants cash, in
15 excess of \$50,000, to sign leases showing that the tenants were paying substantially higher
16 amounts of rent than their current leases.

17
18 88. Mr. Garlock would then take these leases as evidence of increased value, and put
19 additional liens against the building, usually without the investors' consent.

20 89. When Mr. Garlock did get the investors' consent, he did so by representing that the
21 increased payments would be covered by using the borrowed funds for improving the
22 building in which the tenants had invested.

23
24 90. To support these claims of increased value, Mr. Garlock would have the property re-
25 appraised by Hamilton Ricci. Not surprisingly, the buildings would then appraise at a
26 greater value than they had been previously appraised.

1 91. Mr. Garlock would then use his contacts with various financial institutions and investors to
2 refinance the building at a higher amount and take the additional cash for himself.

3 92. Mr. Garlock would then cease making payments on the mortgages, quit paying dues, quit
4 paying taxes, and quit paying the investors.

5 93. This is the identical pattern and practice he engaged in concerning the Menlo Management
6 Company mortgage.

7
8 **2. The Menlo Management Company Mortgage.**

9 94. In early 2007, Mr. Garlock contacted the plaintiffs by telephone and in writing and
10 requested that he be permitted to put an additional note of 2.5 million dollars (\$2,500,000)
11 on the retail parcel.

12 95. Mr. Garlock represented to plaintiffs that the property would be able to debt service the
13 payments on the mortgage.

14 96. During this same time period, unbeknownst to plaintiffs, Mr. Garlock - individually and in
15 his capacity as a principal in Garlock & Company, William F. Garlock & Company,
16 Garlock & Company, Credit National De Geneve, Credit National De Geneve LLC,
17 Credit National De Geneve, Inc., Karlo LLC, Karlo II LLC, JBUDD LLC, 2 G
18 Corporation, and Third and Folsom LLC - was engaging in the practice of paying the
19 tenants cash secretly in order to obtain from them leases showing a higher amount of rent
20 than the tenants were actually paying.
21

22 97. Plaintiffs are informed and believe and thereon allege that in March of 2008, Mr. Garlock
23 paid the owner of a Thai restaurant in the Museum Parc retail space, the approximate sum
24 of sixty thousand dollars (\$60,000) in cash in exchange for this tenant signing a lease in
25 which the rent was substantially higher than what Cham was initially paying.
26
27
28

1 98. Mr. Garlock then told plaintiffs/investors that Cham was paying a higher amount of rent
2 than what Cham was actually paying.

3 99. Plaintiffs are informed and believe and thereon allege that in April of 2008, Mr. Garlock
4 paid the owner of Chat Café, one of the tenants in the Museum Parc retail space, the
5 approximate sum of fifty thousand dollars (\$50,000) in cash in exchange for the tenant
6 signing a lease in which the rent was substantially higher than what Chat Café was initially
7 paying.
8

9 100. Mr. Garlock then told plaintiffs that Chat Café was paying a higher amount of rent than
10 what it was actually paying.
11

12 101. The reason that Mr. Garlock carried out this practice was to justify an increased value for
13 the building.

14 102. The lenders of the funds for the 2.5 million dollar second mortgage were defendants Menlo
15 Management Company and St. Francis Investment III, who were private lenders.

16 103. Plaintiff is informed and believes and thereon alleges that Menlo Management Company
17 and St. Francis Investment III are partners, and were partners in the 2.5 million dollar loan.
18

19 104. Plaintiffs are informed and believe and thereon allege that defendants Menlo Management
20 Company and St. Francis Investment III have a long standing relationship with Mr.
21 Garlock and have financed properties for him previously.
22

23 105. Plaintiffs are informed and believe and thereon allege that Mr. Garlock is Menlo
24 Management Company's biggest borrower.

25 106. Plaintiffs are informed and believe and thereon allege that the lending transactions between
26 the Garlock entities and Menlo Management Company and St. Francis Investment III have
27
28

1 not been arms length transactions, but rather have been done to advance Mr. Garlock's
2 financial interests at the expense of the borrowers.

3 107. Mr. Garlock represented to each plaintiff that he had the agreement of each of the plaintiffs
4 to place the mortgage on the property.

5 108. All of the investors said Mr. Garlock could go ahead with the refinance if he obtained the
6 signatures and permission of each plaintiff that each plaintiff would agree to the additional
7 financing on the property.
8

9 109. Mr. Garlock also represented that he would be responsible for making the payments to
10 Menlo Management Company and would be responsible for repaying the loan.

11 110. Mr. Garlock opened an escrow at North American Title Company to perform the legal
12 duties necessary for the refinance.
13

14 111. Mr. Garlock has had a long-standing relationship with North American Title Company,
15 and its title officer, defendant Millie Espinoza, and they have handled all of Mr. Garlock's
16 escrows, doing at least eighty escrows for him over the past three years.
17

18 112. Plaintiff George Berberich repeatedly told Mr. Garlock, in person and in writing, that
19 under no circumstances would Mr. Berberich agree to refinance the building.

20 113. Mr. Berberich also told defendant North American Title Company that under no
21 circumstances was it to refinance the building or record any liens against the property and
22 that Mr. Berberich would not sign any documents to that effect.
23

24 114. Mr. Berberich did not sign any documents authorizing a second mortgage or deed of trust
25 secured against the Museum Parc retail parcel.

26 115. In order to refinance the building, Mr. Garlock told Mr. Berberich that he would
27 repurchase his share.
28

1 116. Pursuant to a written agreement between Mr. Garlock and Mr. Berberich, Mr. Garlock
2 deposited \$60,000 of earnest money in an account at North American Title Company to be
3 used for purchasing Mr. Berberich's 16.98% interest in the Museum Parc retail parcel.

4 117. Pursuant to the terms of the escrow instructions, if Mr. Garlock failed to purchase Mr.
5 Berberich's share of the property, Mr. Garlock forfeited the deposit.
6

7 118. Mr. and Mrs. Garlock have signed many of the loans and personal guarantees in the
8 Garlock's business entities, companies, limited liability companies, and corporations.

9 119. Mr. Garlock, as the managing member of the Garlock businesses, has systematically
10 siphoned monies from the owners' property operational and loan accounts, with the
11 cooperation and complicity of defendants Rosa Rodriguez, Cheryl Tanguay, Phil Clock,
12 and Thomas McKeithen, employees of the Garlock businesses, without any disclosure to
13 plaintiffs or authorization from plaintiffs.
14

15 120. Mr. Garlock would routinely move these funds through the numerous business entities,
16 including LLCs, he had established, which are in excess of 100. These include but are not
17 limited to Garlock & Company; William F. Garlock & Company, Inc; Garlock &
18 Company, Inc.; Credit National De Geneve; Credit National De Geneve LLC; JBUDD
19 LLC; 2 G Corporation, and Third & Folsom LLC.
20

21 121. As the primary managing member of each of his business entities, including limited
22 liability companies, Mr. Garlock conspired, with the complicity of the other defendants –
23 including but not limited to Rosemary Garlock, Jason Garlock, Garlock & Company;
24 William F. Garlock & Company, Inc; Garlock & Company, Inc.; Credit National De
25 Geneve; Credit National De Geneve LLC; JBUDD LLC; 2 G Corporation, and Third &
26 Folsom LLC - to siphon off from the owners' operational and loan funds accounts, from
27
28

1 the multiple properties managed by defendants for the exclusive benefit of those business
2 entities that Mr. Garlock owned and managed, what appeared on accounting records to be
3 notes payable but for which there is no documentation and no authorization from plaintiffs
4 and relevant property owners.

5 122. Defendant Rosemary Garlock is the primary shareholder of Karlo LLC, Karlo II LLC, and
6 multiple other business entities, including limited liability companies, into which monies
7 were siphoned from the owners' operational and loan accounts for the exclusive benefit of
8 Mr. Garlock and his business entities. Rosemary Garlock participated in the process of
9 taking funds from the plaintiffs by taking money in and out of the various accounts for the
10 purpose of making the funds difficult to trace, evading income taxes, and permanently
11 depriving plaintiffs of their equity in the property.
12

13 123. Plaintiffs are informed and believe and thereon allege that among the various uses of the
14 funds, Mr. and Mrs. Garlock personally and by means of their various business entities,
15 including limited liability companies, siphoned off money to pay for Rosemary Garlock's
16 show horses and Mr. Garlock's strings of polo ponies. In addition, Mr. Garlock diverted
17 funds to fly polo ponies to California from Argentina.
18

19 124. Additionally, Karlo LLC, Karlo II LLC, JBUDD LLC, 2 G Corporation, and other Garlock
20 business entities prepared falsified and unsecured note payables, loan payables, trade
21 payables, advances, trade payables, accounting records, financial statements, and tax
22 returns, which were then authorized for payment by defendants Rosa Rodriguez, Cheryl
23 Tanguay, Thomas McKeithen, and Phil Clock. These actions were done by these
24 individuals with knowledge of their falsity and illegality, and with the intent to deprive
25 plaintiffs of their money and the equity in plaintiffs' property.
26
27
28

1 125. Disbursement checks and wire transfers of the misappropriated funds were authorized by
2 Mr. Garlock. None of the siphoned accounting transactions were ever disclosed to or
3 approved by the plaintiffs and most of these transactions were hidden in the financial
4 statements and operational statements, certified to be true by defendant Nichols, Rick &
5 Company, CPAs.
6

7 126. Plaintiffs are informed and believe and thereon allege that Mr. Garlock is the managing
8 member of Karlo LLC. This business entity was used by Mr. Garlock to siphon money
9 from various real properties managed by Garlock for plaintiffs through what appeared on
10 accounting records to be notes payable but for which there is no documentation and no
11 authorization from plaintiffs.
12

13 127. Plaintiffs are informed and believe and thereon allege that the managing member of Karlo
14 II LLC is Credit National de Geneve. This business entity was used by Garlock to siphon
15 money from plaintiffs, including proceeds of the 2.5 million dollar mortgage. This was
16 done through what appeared on accounting records to be notes payable but for which there
17 is no documentation and no authorization from plaintiffs.
18

19 128. Plaintiffs are informed and believe and thereon allege that at all times relevant herein
20 defendants Menlo Management Company, Robert C. Gould, and Greg Gilbert conspired
21 with Mr. Garlock and Credit National de Geneve LLC, Credit National de Geneve, Inc. (a
22 Delaware corporation), and Credit National de Geneve, Inc. (a California Corporation) to
23 defraud the property owners of Museum Parc by funding a second mortgage in the amount
24 of 2.5 million dollars without 100% unanimous approval by the property owners.
25

26 129. Defendants Menlo Management Company, Mr. Gould, and Mr. Gilbert were fully aware of
27 the express requirement in the various loan documents and the tenancy in common
28

1 agreements that 100% unanimous approval by the property owners was required before
2 any secondary financing was to be recorded against plaintiffs' property.

3 130. Defendants Menlo Management Company, Mr. Gould, and Mr. Gilbert negligently and
4 fraudulently chose to fund this second mortgage and record it against the property, even
5 though they knew that plaintiff George M. Berberich, a property owner with 16.9%
6 ownership, disapproved of the funding of this loan and that the other plaintiffs had given
7 their assent only on the condition that all of the plaintiffs agreed to the refinance.
8

9 131. The tax benefits of the section 1031 Starker exchange would be negated and plaintiffs
10 would have to pay substantial amounts of interest and income tax penalties if the loan was
11 recorded only against some tenancy in common owners and not others.
12

13 132. Menlo Management Company was paid a fifty thousand dollar (\$50,000) loan origination
14 fee for the funding of this loan.

15 133. Menlo Management Company funded this loan under loan terms of ten percent (10%) per
16 annum, due and payable within six months. This loan was funded August 1, 2007 with a
17 due date of January 31, 2008.
18

19 134. The attempt to place this type of loan with this short a due date, at a time when interest
20 rates were at three percent rate, was not only negligent but part of Mr. Garlock's ongoing
21 criminal enterprise and plan to repurchase the property at the sale or by agreement with
22 Menlo Management Company and St. Francis Investment III.
23

24 135. Plaintiffs are informed and believe and thereon allege that Mr. Garlock and his various
25 business entities and LLCs, including the above named defendants, have previously
26 engaged in these patterns and business practices.
27
28

1 136. Plaintiffs are further informed and believe that Menlo Management Company knew that
2 these loan proceeds were being diverted and siphoned away from the property for the
3 exclusive benefit of Mr. Garlock and his various business entities.

4 137. Immediately after the loan was recorded, Garlock took all the loan proceeds and
5 appropriated them for his own personal use and purposes.
6

7 138. On or about March 2009, the plaintiffs learned that the 2.5 million dollar loan was
8 recorded and that the funds were siphoned from the property and deposited into the Desert
9 Commercial Bank of Palm Springs, California, for the exclusive benefit of Rosemary,
10 Jason, and William Garlock.

11 139. Plaintiffs are informed and believe and thereon allege that at all times relevant herein
12 defendants North American Title Insurance Company and Millie Espinosa, escrow officer,
13 conspired with Mr. Garlock, the two Garlock & Company defendants, William F. Garlock
14 & Company, Inc., and the three "Credit National de Geneve" defendants to defraud the
15 property owners of Museum Parc by recording a second mortgage in the amount of 2.5
16 million dollars without 100% unanimous approval by the property owners.
17
18

19 140. Defendants North American Title Insurance Company and Millie Espinosa, escrow
20 officer, were fully aware of the expressed requirement under the tenant in common
21 property owners agreement, 100% unanimous approval by the property owners was
22 required before any secondary financing was to be recorded against their property.
23

24 141. The escrow instructions also reflected that the signature of all the plaintiffs would be
25 required to complete the transaction.

26 142. North American Title Insurance Company and Millie Espinosa, escrow officer, negligently
27 and fraudulently chose to record this second mortgage, even though they were advised that
28

George M. Berberich, a property owner with 16.9% ownership, disapproved of the funding of this loan.

143. Plaintiffs are further informed and believe and thereon allege that North American Title Insurance Company was paid ten thousand dollars (\$10,000) for the issuance of title insurance and escrow costs.

144. Plaintiffs are further informed and believe and thereon allege that North American Title Insurance Company and Ms. Millie Espinosa failed to question the short six month loan term, the ten percent (10%) annual interest rate, and the fifty thousand dollar (\$50,000) loan fee of Menlo Management Company.

145. This loan was funded August 1, 2007, as recorded by North American Title Insurance Company. North American Title Insurance Company disbursed the loan proceeds of \$2,444,000 to Garlock & Company, per the instructions of William F. Garlock, even though North American Title Insurance Company knew that Mr. Garlock only had less than five percent (5%) of the property ownership.

146. When North American Title Insurance Company released the loan proceeds of \$2,444,000 to Mr. Garlock without authorization, let alone correspondence, from 100% of the property owners as required by the tenancy in common ownership agreement, North American Title Insurance Company assisted Mr. Garlock in defrauding the plaintiffs.

147. Plaintiff's are informed and believe and thereon allege that North American Title Insurance Company conspired with Mr. Garlock to siphon the loan proceeds by disbursing these funds without permission of all the plaintiffs and without complying with the escrow instructions.

3. . Club One

1 148. Club One is a Health and Fitness Club which is one of the tenants of Museum Parc.

2 149. Plaintiffs are informed and believe and thereon allege that William Garlock is a
3 stockholder in Club One.

4 150. Plaintiffs are informed believe and thereon allege that John and Jill Kinney are the owners
5 of Club One.

6
7 151. In June of 2007, as part of his pattern and practice of falsifying leases to increase the
8 amount he could borrow against a piece of real property, William Garlock agreed with
9 Club One's owners, defendants John and Jill Kinney, that he would "reimburse" Club One
10 \$500,000 for "tenant improvements." These "tenant improvements" were never installed.

11 152. In exchange for this payment, John and Jill Kinney, both on behalf of Club One and as
12 individual guarantors, signed a new lease that increased from \$32,000 to \$54,000 per
13 month.

14
15 153. Mr. Garlock gave the Kinney's five hundred thousand dollars (\$500,000) of the proceeds
16 of the Menlo Management Company mortgage, funds to which the Kinneys were not
17 entitled. These funds were paid out of the Menlo Management Company escrow at North
18 American Title Insurance Company.

19
20 154. On or about June, 2004, William Garlock attempted to persuade plaintiffs, and each of
21 them, to invest in the Museum Parc Retail Parcel.

22 155. To get them to invest, Mr. Garlock made the following representations that Mr. Garlock
23 knew were false. Mr. Garlock made the false representations with the intent to deceive and
24 defraud plaintiffs and to induce plaintiffs to act in reliance on the representations.

25
26 156. Mr. Garlock represented that if plaintiffs invested in the property he would pay them a rate
27 of return of nine to fifteen percent (9 - 15%) depending on the individual investor.
28

1 157. Mr. Garlock represented that the property, which consisted of a number of stores and
2 restaurants, produced sufficient cash every month to cover the payments to the investors as
3 well as to pay Museum Parc association dues.

4 158. Mr. Garlock represented that there was no risk to the investors because he had two seats on
5 the Museum Parc master owners' association board of directors, representing both the
6 retail and garage owners, thus giving him board control.

7 159. Mr. Garlock also represented that he would attend the board meetings and look after the
8 interests of the plaintiffs.

9 160. As part of the representations to plaintiffs, Mr. Garlock provided the following documents
10 to plaintiffs: certified monthly, quarterly, and annual financial statements; year-end
11 investor owners tax letters; property annual federal and California tax returns; and parking
12 tax assessment for the City and County of San Francisco Parking Assessment Board,
13 verifying that the financial statements and the property's operational statements were true
14 and correct.

15 161. Mr. Garlock also provided an appraisal to the investors showing a value of the building for
16 18 million dollars. This appraisal was performed by Hamilton & Ricci

17 162. The true facts were different than appraised.

18 163. The Museum Parc retail parcel itself was not generating sufficient cash to pay its operating
19 expenses and association dues, let alone the investors.

20 164. There were not enough funds generated to service the mortgages against the property and
21 to pay the investors.

22 165. Hamilton & Ricci performed all of Mr. Garlock's appraisals.

1 166. As a result of the relationship between Mr. Garlock and Hamilton & Ricci, Hamilton &
2 Ricci would appraise Mr. Garlock's properties and value them substantially higher than
3 market value, which permitted Mr. Garlock to borrow more money against the buildings.
4 167. Hamilton & Ricci knew that they were overvaluing the buildings.
5 168. The financial statements Mr. Garlock produced were false.
6 169. Mr. Garlock knew this because he provided false information to the accountants, who
7 knew that the information they were receiving was false.
8 170. Mr. Garlock provided these appraisals and financial statements to the plaintiffs for the
9 purpose of persuading them to invest in the building. The true value of the property was
10 substantially less than the value showed in the appraisal.
11 171. As a result of Mr. Garlock's representations, plaintiffs were induced to invest their money
12 in the Museum Parc property.
13 172. The plaintiffs, at the time of Mr. Garlock's representations and at the time plaintiffs took
14 the actions alleged herein, were ignorant of the falsity of the representations. Had
15 plaintiffs known the actual facts, plaintiffs would not have taken such action.
16 173. Plaintiff incorporates each and every allegation set forth in the preceding paragraphs as
17 though fully set forth herein.
18 174. In all the above transactions, Garlock made following statements regarding the various
19 properties.
20 175. That the property would cash flow.
21 176. That the property was fully leased
22 177. That the property value he represented it to be was the true value of the property.
23 178. That he would manage the property for the investors .
24
25
26
27
28

179. That he would pay the investors a guaranteed return.

180. These statements were false.

181. The properties did not cash flow, were not fully leased, were overvalued, and would not support the return he was promising.

182. Garlock made these statements knowing they were false.

183. Plaintiffs were justified in relying on plaintiffs representations because Garlock was a licensed real estate broker, he held himself out on his web site as an extremely experienced real estate investor, and he had numerous other credible individuals vouching for him.

184. As a result of Garlocks written and oral representations, plaintiffs, and each of them, lost substantial sums of money if not their entire investment.

THIRD CLAIM FOR RELIEF

(To Determine DISCHARGEABILITY of Debts for Property Obtained by False Pretenses, False Representations or Actual Fraud)

11 U.S.C §523(a)(2)(A)

(The Museum Parc Retail Property)

185. Plaintiff incorporates each and every allegation set forth in the preceding paragraphs as though fully set forth herein.

186. In all the above transactions, Garlock made following statements regarding the various properties.

187. That the property would cash flow.

188. That the property was fully leased.

189. That the property value he represented it to be was the true value of the property.

190. That he had the ability to transfer the property. This representation was made to Ms. Farzimpour.

191. That he would manage the property for the investors .

192. That he would pay the investors a guaranteed return.

193. These statements were false.

194. The properties did not cash flow, were not fully leased, were overvalued, and would not support the return he was promising.

195. Garlock made these statements knowing they were false.

196. Plaintiffs were justified in relying on plaintiffs representations because Garlock was a licensed real estate broker, he held himself out on his web site as an extremely experienced real estate investor, and he had numerous other credible individuals vouching for him.

197. As a result of Garlocks written and oral representations, plaintiffs, and each of them, lost substantial sums of money if not their entire investment.

198. Wherefore plaintiffs request that Garlock's debts be declared nondischargeable.

VII. THE FACTS RE 642 HARRISON STREET

199. Plaintiffs reallege and reincorporate the proceeding paragraphs as though fully set forth herein.

200. The plaintiffs in the 642 Harrison Street, in Oakland California are the Mathews Family Trusts, Lisa Faria, Clarke Hutchings, Albert Plute and Robert Foppoli.

201. In 2004, Garlock induced the plaintiffs to invest in this property by making the following representations to plaintiffs in writing and orally.

202. That the property was fully leased.

203. That the property had sufficient cash flow to pay for itself and to pay the investors a high rate of return.

204. That the property had an easement to an adjoining property which generated rent for its use every month which added value to the building.

1 205. That the value of the building was \$24,000,000

2 206. These facts were not true.

3 207. The building was not fully leased, it was thirty percent (30%) occupied and did not cash
4 flow.

5 208. The” fully leased” statement was a scam designed by Garlock where various LLC’s.
6 created by Garlock, none of which had any assets, signed leases on the property even
7 though they were completely incapable of paying any rent.
8

9 209. There was no easement associated with the property.

10 210. The building was not worth \$24,000,000, it was worth substantially less.

11 211. Garlock also produced false financial statements and appraisals and provided them to
12 plaintiffs.
13

14 212. Garlock also acted as a broker on behalf of plaintiffs, paying himself management fees
15 and commissions on these transactions.

16 213. Plaintiffs invested sizeable amounts of money in the building and, as a result, lost their
17 entire investment which was approximately \$5,000,000.
18

19 214. Plaintiffs subsequently received a stipulated judgment in a state court action based on
20 these facts from Garlock in the amount of \$3,000,000. It is this judgment they wish to
21 have determined non-dischargeable.
22

23 **FOURTH CLAIM FOR RELIEF**
24 **(To Determine DISCHARGEABILITY of Debts for Property Obtained by False**
25 **Pretenses, False Representations or Actual Fraud)**
26 **11 U.S.C §523(a)(2)(A)**
27 **(The 642 Harrison Investment)**

28 215. Plaintiff incorporates each and every allegation set forth in the preceding paragraphs as
though fully set forth herein.

1 216. In all the above transactions, Garlock made following statements regarding the various
2 properties.

3 217. That the property would cash flow.

4 218. That the property was fully leased

5 219. That the property value he represented it to be was the true value of the property.

6 220. That he would manage the property for the investors.

7 221. That he would pay the investors a guaranteed return.

8 222. These statements were false.

9 223. The properties did not cash flow, were not fully leased, were overvalued, and would not
10 support the return he was promising.

11 224. Garlock made these statements knowing they were false.

12 225. Plaintiffs were justified in relying on plaintiffs representations because Garlock was a
13 licensed real estate broker, he held himself out on his web site as an extremely experienced
14 real estate investor, and he had numerous other credible individuals vouching for him.

15 226. As a result of Garlocks written and oral representations, plaintiffs, and each of them, lost
16 substantial sums of money if not their entire investment.

17 227. Wherefore plaintiffs request that Garlock's debts be declared nondischargeable.

18
19
20
21 **X. FACTS RE THE MATHEWS CLAIMS.**

22 228. Plaintiffs reallege and reincorporate the proceeding paragraphs as though fully set forth
23 herein.

24 229. The Mathews invested in numerous projects with Garlock including the Museum Parc
25 Garage, and 642 Harrison, and were victims of Garlock's conduct as described above. As a
26 result, in a state court action they received a \$3,000,000 dollar judgment against Garlock.
27
28

1 Their actual losses were in excess of 30 million dollars. It is this judgment that they seek to
2 have declared non-dischargeable. The facts relating to the Museum Parc Garage apply to
3 them and 642 Harrison are applicable to their situation.

4 **FIFTH CLAIM FOR RELIEF**
5 **(To Determine DISCHARGEABILITY of Debts for Property Obtained by False**
6 **Pretenses, False Representations or Actual Fraud)**
7 **11 U.S.C §523(a)(2)(A)**
8 **(Peter and Leslie Mathews and the Mathews Family Trust)**

9 230. Plaintiff incorporates each and every allegation set forth in the preceding paragraphs as
10 though fully set forth herein.

11 231. In all the above transactions, Garlock made following statements regarding the various
12 properties.

13 232. That the property would cash flow.

14 233. That the property was fully leased

15 234. That the property value he represented it to be was the true value of the property.

16 235. That he would manage the property for the investors.

17 236. That he would pay the investors a guaranteed return.

18 237. These statements were false.

19 238. The properties did not cash flow, were not fully leased, were overvalued, and would not
20 support the return he was promising.

21 239. Garlock made these statements knowing they were false.

22 240. Plaintiffs were justified in relying on plaintiffs representations because Garlock was a
23 licensed real estate broker, he held himself out on his web site as an extremely experienced
24 real estate investor, and he had numerous other credible individuals vouching for him.
25
26
27
28

1 241. As a result of Garlocks written and oral representations, plaintiffs, and each of them, lost
2 substantial sums of money if not their entire investment.

3 242. Wherefore plaintiffs request that Garlock's debts be declared nondischargeable,
4 specifically the three million dollar judgment they received.

5 **XI. FACTS RE MYLENE ANSARI**

6
7 243. Plaintiffs reallege and reincorporate the proceeding paragraphs as though fully set forth
8 herein.

9 244. Mylene Ansari was for a period of time an employee of William Garlock. While she
10 worked there, Garlock (1) failed to pay her wages due and (2) induced her to invest, by
11 numerous fraudulent representations in the "Garlock loan fund." As a result of these
12 actions she received a state court judgment in the amount of \$25,000 for past due wages.
13 This amount is non-dischargeable as a matter of law. She was also defrauded in the amount
14 of approximately \$60,000 by Garlock by fraudulent inducement to invest in the loan fund.
15

16 **SIXTH CLAIM FOR RELIEF**

17 **(To Determine DISCHARGEABILITY of Debts for Property Obtained by False**
18 **Pretenses, False Representations or Actual Fraud)**

19 **11 U.S.C §523(a)(2)(A)**

20 **(Mylene Ansari)**

21 245. Plaintiff incorporates each and every allegation set forth in the preceding paragraphs as
22 though fully set forth herein.

23 246. In all the above transactions, Garlock made following statements regarding the loan fund
24 to Mylene Ansari as set forth below.

25 247. Garlock also owes Ms. Ansari \$25,000 in wages.

26 248. Wherefore plaintiffs request that Garlock's debts be declared nondischargeable.
27
28

XII. FACTS RE MONICA HUJAZI

249. Plaintiffs reallege and reincorporate the proceeding paragraphs as though fully set forth herein.

250. In 2011, Monica Hujazi, owned a piece of commercial real estate in Los Angeles. The existing first mortgage on the property was expiring and the lender was unwilling to extend the note.

251. Ms. Hujazi went and spoke to William Garlock, who is a licensed real estate broker.

252. Mr. Garlock told her that he could obtain her a new mortgage.

253. Ms. Hujazi agreed to let Garlock obtain a new mortgage for her.

254. What Garlock did instead however was something else.

255. He, along with Jonathan Fried, transferred ownership of the building to a separate LLC.

256. Fried then put the new LLC into bankruptcy.

257. As a result of Garlock and Fried's actions, Ms. Hujazi lost the entire building, which had a value of \$10,000,000, of which \$5,000,000 was equity.

258. It is this debt that plaintiff Hujazi seeks to have declared non-dischargeable.

SEVENTH CLAIM FOR RELIEF

(To Determine DISCHARGEABILITY of Debts for Property Obtained by False Pretenses, False Representations or Actual Fraud)

11 U.S.C §523(a)(2)(A)

(Monica Hujazi)

259. Plaintiffs reallege and reincorporate the proceeding paragraphs as though fully set forth herein.

260. Garlock, a real estate broker represented that he would assist Ms. Hujazi in obtaining a mortgage for her.

261. This representation was false.

1 262. At the time Garlock was approached by Ms. Hujazi, upon reviewing the property details,
2 he decided to steal the property.

3 263. He then falsely transferred title to the property in an attempt to steal it.

4 264. As a result of Mr. Garlock and Mr. Fried's actions, as stated above, Ms. Hujazi lost the
5 property.
6

7 265. Wherefore plaintiff seeks to have this debt declared non-dischargeable.
8

9
10 **EIGHTH CLAIM FOR RELIEF**
11 **(To Determine DISCHARGEABILITY of Debts for Property Obtained by Fraud and**
12 **Defalcation While Acting in a Fiduciary Capacity.)**
13 **11 U.S.C §523(a)(4)**
14 **(Monica Hujazi)**

15 266. Plaintiffs reallege and reincorporate the proceeding paragraphs as though fully set forth
16 herein.

17 267. At all times herein mentioned, Garlock was a real estate broker acting on behalf of the
18 plaintiffs in these transactions, and as such, owed them a fiduciary duty.

19 268. Garlock breached his fiduciary duty to plaintiffs by lying to them, appropriating money
20 that was rightfully theirs, over encumbering their properties, and by engaging in various
21 other activities that profited himself ahead of the plaintiffs.

22 269. Wherefore plaintiffs request that the debts be declared nondischargeable.
23

24 **XIII. FACTS RE THE LOAN FUND**

25 270. Plaintiffs reallege and reincorporate the proceeding paragraphs as though fully set forth
26 herein.

27 271. The plaintiffs in the loan fund are Robert Conklin, Ronald Conklin, Norman and Edith
28 Van Woerkom ,Dan Brune and Claudia Esquivel and Mylene Ansari.

1 272. Garlock, both individually and through his agents, presented to the Plaintiffs an
2 investment opportunity with the Garlock Loan Fund, LLC. Investors purchased
3 membership interests in the Garlock Loan Fund LLC at a price of \$5,000 per unit with the
4 promise of monthly interest income of 15% interest.

5 273. Garlock provided to the Plaintiffs a Summary of the Offering, which provided, among
6 other things:

7 The Fund intends to invest the net proceeds of this Offering in a portfolio of
8 short-term (1-5 years) commercial mortgages that will general returns of
approximately 15% per annum.

9 The Fund intends that its mortgages will be generally concentrated in the San
10 Francisco Bay Area.... The mortgages will be primarily be secured primarily
11 (sic) with office properties, multi-family apartment properties, retail properties,
12 mixed-use properties, commercial condominiums, industrial properties, and
development sites.

13 [A]ll investors in this Offering are guaranteed a 15% return on their investment by
14 the Manager.

15 The Manager will distribute a monthly return to all investors equal to fifteen
16 percent (15%) per annum of each investment. Upon the repayment of principal
17 by any borrower, the Manager will distribute to each investor their proportionate
investment.

18 274. Garlock also provided the Plaintiffs with a copy of the Operating Agreement for Garlock
19 Loan Fund, LLC, which provided, among other things:

20 **5.3 B. Limitations on Power of Manager(s).** The Manager(s) shall not have
21 authority hereunder to cause the Company to engage in the following transactions
22 without first obtaining the affirmative vote or written consent of Members holding
23 a Majority Interest: ... (ii) Any act which would make it impossible to carry on
the ordinary business of the Company.

24 **5.5 Performance of Duties; Liability of Manager(s).** ... The Manager(s) shall
25 perform their managerial duties in good faith, in a manner they reasonably believe
26 to be in the best interests of the Company and its Members, and with such care,
including reasonable inquiry, as an ordinarily prudent person in a like position
would use under similar circumstances.

27 275. In addition, Garlock and Conte represented to the Plaintiffs that they could get their
28 investment returned to them at any time. Mr. Garlock represented on numerous occasions

1 that such a return would be made upon receipt of written demand for return of the
2 investment.

3 276. On or about December 1, 2007, in reliance on the written and oral representations of
4 Garlock and his agents, plaintiffs invested in the loan fund..

5 277. The true facts regarding the loan fund were that, in spite of Garlock's numerous written
6 and oral representations regarding his management of the loan fund, none of them were true.

7 278. Indeed, Garlock induced investment in the fund by presenting a note (the "Pensco Note")
8 which he represented was part of the fund's investment portfolio.

9 279. The Pensco note was secured by property in Oregon.

10 280. This note had already been used as collateral for another loan by Garlock.

11 281. Garlock, immediately after receiving the investment funds from the Plaintiffs, removed
12 the note from the portfolio and then proceeded to borrow against it to fund his investment in
13 another property, located at 642 Harrison.

14 282. After that, Garlock then took the note and put it in his wife Rosemarie's 401k plan,
15 claiming that the note was a personal asset.

16 283. Garlock then brought suit to foreclose the note in Oregon. In that lawsuit he claimed that
17 he was the owner of the note.

18 284. Had Garlock been successful in this suit, (which he was not) he would have eliminated
19 plaintiffs' interest in the note.

20 285. The plaintiffs investments in the loan fund were approximately \$2,000,000.

21 As a result, the plaintiffs lost their entire investment in the loan fund.
22
23

24 **NINTH CLAIM FOR RELIEF**

25 **(To Determine DISCHARGEABILITY of Debts for Property Obtained by False
26 Pretenses, False Representations or Actual Fraud)**

27 **11 U.S.C §523(a)(2)(A)**

28 **(The Garlock Loan Fund)**

1 286. Plaintiffs reallege and reincorporate the proceeding paragraphs as though fully set forth
2 herein.

3 287. To induce plaintiffs to invest in the loan fund, Garlock falsely represented both his real
4 intentions and plans.

5 288. Although Garlock said he would invest the money in sound real estate notes and
6 investments, instead he appropriated the money and used it for his own purposes.

7 289. The statements Garlock made to the investors were false.

8 290. The investors were entitled to reasonably rely, and did rely on Garlock's representations.

9 291. Wherefore the plaintiffs suffered damages.

10 292. It is these debts related to the Loan fund that the plaintiffs seek to declare non-
11 dischargeable.
12
13
14

15 **XIV. FACTS RE JOAN KENT**

16 293. Plaintiffs reallege and reincorporate the preceding paragraphs as though fully set forth
17 herein.
18

19 294. Joan Kent was induced to invest in real estate with William Garlock in accord with
20 Garlock's standard practices as set forth above.

21 295. As a result, in a state court case, Joan Kent received a judgment of \$296,350.44. It is this
22 judgment which Ms. Kent seeks to have declared non-dischargeable
23

24 **TENTH CLAIM FOR RELIEF**
25 **(To Determine DISCHARGEABILITY of Debts for Property Obtained by False**
26 **Pretenses, False Representations or Actual Fraud)**
27 **11 U.S.C §523(a)(2)(A)**
28 **(Joan Kent.)**

29 296. Plaintiffs reallege and reincorporate the preceding paragraphs as though fully set forth
30 herein.

1 297. William F. Garlock induced Joan Kent to invest her funds in various real estate
2 investments with him.

3 298. To induce her to invest, Garlock, written and orally, made statements regarding the
4 condition and financial operation of the property.

5 299. Specifically Garlock alleged that the property cash flowed.

6 300. Garlock alleged that the property had a high net worth

7 301. Garlock alleged that if she invested the property would pay her a substantial return

8 302. These representations were false.

9 303. The true facts were that the property did not cash flow, was overencumbered, was not
10 worth the amount Garlock claimed it was, and would not pay the return Garlock promised.

11 304. Plaintiff reasonably relied on Garlock's statements and invested her money.

12 305. As a result of Garlock's actions, plaintiff suffered losses in the amount of \$260,000.

13 306. This amount was reduced to a judgment.

14 307. It is this debt that plaintiff seeks to declare non-dischargeable.

15
16
17
18 **.XIV. FACTS RE STUHLKEN FAMILY TRUST.**

19 308. Plaintiffs reallege and reincorporate the proceeding paragraphs as though fully set forth
20 herein.

21 309. In September of 2007, the Stuhlken Family Trust was induced to invest in two real estate
22 investments by William Garlock, by means of the various fraudulent devices described
23 above.

24 310. Specifically, they invested in the following , an Assignment Note and Deed of Trust in
25 sum of \$100,000 from 15th & 1500 Broadway LLC, a California limited liability company
26 dated September 1, 2007. They also invested in the loan fund.
27
28

1 311. These investments were worthless, because the 15th and 1500 Broadway property was not
2 leased, overencumbered, and did not have the cash to make the note payments regardless of
3 Garlock's representations to the contrary.

4 It is this debt that plaintiffs seek to have declared non-dischargeable.

5
6 **ELEVENTH CLAIM FOR RELIEF**
7 **(To Determine DISCHARGEABILITY of Debts for Property Obtained by False**
8 **Pretenses, False Representations or Actual Fraud)**
9 **11 U.S.C §523(a)(2)(A)**
10 **(The Stuhlken)**

11 312. Plaintiffs reallege and reincorporate the preceding paragraphs as though fully set forth
12 herein.

13 313. William F. Garlock induced Mark Stuhlken Senior to invest is funds in various real estate
14 investments with him.

15 314. To induce him to invest, Garlock, written and orally, made statements regarding the
16 condition and financial operation of the property.

17 315. Specifically Garlock alleged that the property cash flowed.

18 316. Garlock alleged that the property had a high net worth

19 317. Garlock alleged that if she invested the property would pay her a substantial return

20 318. These representations were false.

21 319. The true facts were that the property did not cash flow, was overencumbered, was not
22 worth the amount Garlock claimed it was, and would not pay the return Garlock promised.

23 320. Plaintiff reasonably relied on Garlock's statements and invested his money.

24 321. As a result of Garlock's actions, plaintiff suffered losses in the amount of \$500,000.

25
26 **XVI. FACTS RE GREG AND JEANNIE MACDOUGAL**

27 322. Plaintiffs reallege and reincorporate by reference the preceding paragraphs as though
28 fully set forth herein.

1
2 323. Plaintiffs were induced to invest in real estate with William Garlock in accord with
3 Garlock's standard practices as set forth above, specifically in a worthless real estate
4 partnership located at 3294 El Camino in Palo Alto California.

5
6 324. As a result, plaintiffs lost their entire investment of \$230,000 and did not receive \$60,000
7 in promised income.

8 **TWELFTH CLAIM FOR RELIEF**
9 **(To Determine DISCHARGEABILITY of Debts for Property Obtained by False**
10 **Pretenses, False Representations or Actual Fraud)**
11 **11 U.S.C §523(a)(2)(A)**
12 **(Greg and Jeannie MacDougal)**

13 325. Plaintiffs reallege and reincorporate the preceding paragraphs as though fully set forth
14 herein.

15 326. William F. Garlock induced Greg and Jeannie MacDougal to invest her funds in various
16 real estate investments with him, including one located at 3294 El Camino Real.

17 327. To induce them to invest, Garlock, written and orally, made statements regarding the
18 condition and financial operation of the property.

19 328. Garlock alleged that the property cash flowed.

20 329. Garlock alleged that the property had a high net worth

21 330. Garlock alleged that if she invested the property would pay them a substantial return

22 331. These representations were false.

23 332. The true facts were that the property did not cash flow, was overencumbered, was not
24 worth the amount Garlock claimed it was, and would not pay the return Garlock promised.

25 333. Plaintiff reasonably relied on Garlock's statements and invested their money.

26 334. As a result of Garlock's actions, plaintiff suffered losses in the amount of \$260,000.

27 335. It is this debt that plaintiff seeks to declare non-dischargeable.
28

1
2 **XVII. FACTS RE GLOBAL VENTURES LLC**

3 336. Plaintiffs reallege and reincorporate by reference the preceding paragraphs as though
4 fully set forth herein.

5 337. Global Ventures is a venture capital LLC, made up of a number of individuals including
6 Irwan Sie.

7 338. Garlock, by means of the various fraudulent representations and actions set forth above,
8 induced Global to invest \$1,025,000 in a Kern County Housing Development and \$900,000
9 in a real estate project on Wolfe Road in Sunnyvale.

10 339. Both investments were worthless, and Garlock did not even begin construction as
11 represented.

12 340. As a result, Global received two judgments against Garlock for both amounts. It is these
13 amounts that Global seeks to declare as nondischargeable.
14

15 **THIRTEENTH CLAIM FOR RELIEF**
16 **(To Determine DISCHARGEABILITY of Debts for Property Obtained by False**
17 **Pretenses, False Representations or Actual Fraud)**
18 **11 U.S.C §523(a)(2)(A)**
19 **(Global Investments)**

20 341. Plaintiffs reallege and reincorporate the preceding paragraphs as though fully set forth
21 herein.

22 342. William F. Garlock Global Investments to invest their funds in various real estate
23 investments with him specifically \$1,025,000 in a Kern County Housing Development and
24 \$900,000 in a real estate project on Wolfe Road in Sunnyvale.

25 343. To induce investment, Garlock, written and orally, made statements regarding the
26 condition and financial operation of the property.

27 344. That he was going to construct substantial real estate improvements (buildings) on the
28 property.

1 345. Specifically Garlock alleged that the property would property cash flow when the
2 property was completed.

3 346. Garlock alleged that the completed project had a high net worth.

4 347. Garlock alleged that if Global invested the project would pay it a substantial return.

5 348. These representations were false.

6
7 349. The true facts were that the project did not cash flow, was overencumbered, was not
8 worth the amount Garlock claimed it was, and would not pay the return Garlock promised.

9 350. Furthermore, Garlock appropriated the money and never began construction.

10 351. Plaintiff reasonably relied on Garlock's statements and invested its money.

11 352. As a result of Garlock's actions, plaintiff suffered losses in the amount of \$1,900,000..

12 353. This amount was reduced to a judgment.

13 354. It is this debt that plaintiff seeks to declare non-dischargeable.

14
15 **VII. FACTS REGARDING 1893 WOODLAND EPA LLC**

16 355. Plaintiffs reallege and reincorporate by reference the preceding paragraphs as though
17 fully set forth herein.

18 356. The investors in this property are Gary and Beatrice Ceccato and Robert Montgomery.

19 357. In the year 2005, Ceccato and the Montgomerys were persuaded by William Garlock
20 to invest in this property as tenants in common.

21 358. The project is a trailer park.

22 359. Ceccato and the Montgomerys each purchased a forty-four percent t(44%) in the
23 property. The remaining twelve percent was owned by an LLC created by Mr. William
24 Garlock, entitled 1836 Woodland EPA LLC.
25
26
27
28

1 360. To induce the plaintiffs to invest, Garlock falsely represented that the trailer park was
2 cash flowing such that an investment would be profitable, and that it would pay a substantial
3 financial return to the plaintiffs.

4 361. He also represented that in exchange for his keeping a twelve per cent interest (12%) in
5 the property, he would manage the property and pay plaintiffs their share.
6

7 362. The true facts were that the property did not cash flow, and Garlock had no intention of
8 paying any money to plaintiffs, as illustrated by his very shortly after the property was
9 purchased his stealing all of the rents and not paying any return to plaintiffs.

10 363. Mr. Garlock also persuaded the mortgage company Cushman Rexrode to put an
11 additional loan on the property, thereby encumbering the property with liens far in excess of
12 its value.
13

14 364. When the loan was granted, Garlock did not do as he had promised, which was to
15 construct additional housing on the property, instead he took the loan proceeds and
16 pocketed them.
17

18 365. It was suggested by Garlock that Mr. Ceccato should give him a “deed in lieu of
19 foreclosure” and Garlock would arrange for Ceccato’s interest to be given to Rexrode
20 Cushing and he would be eliminated from ownership of the property and would have no
21 further liability.
22

23 366. After receiving the deed, Garlock did not record the deed. He kept on stealing the rents
24 and left Mr. Ceccato on title.

25 367. Plaintiffs are informed and believe that Mr. Garlock may have fraudulently sold or
26 transferred Ceccato’s and Montgomery’s interest in the property.
27
28

FOURTEENTH CLAIM FOR RELIEF
(To Determine DISCHARGEABILITY of Debts for Property Obtained by False Pretenses, False Representations or Actual Fraud)
11 U.S.C §523(a)(2)(A)
(Gary Ceccato and Robert Montgomery)

368. Plaintiffs reallege and reincorporate the preceding paragraphs as though fully set forth herein.

369. William F. Garlock induced Gary and Beatrice Ceccato and Robert Montgomery.to invest their funds in various real estate investments with him including the above referenced trailer park.

370. To induce them to invest, Garlock, written and orally, made statements regarding the condition and financial operation of the property.

371. Garlock alleged that the property cash flowed.

372. Garlock alleged that the property had a high net worth

373. Garlock alleged that if she invested the property would pay them a substantial return

374. These representations were false.

375. The true facts were that the property did not cash flow, was overencumbered, was not worth the amount Garlock claimed it was, and would not pay the return Garlock promised.

376. Plaintiff reasonably relied on Garlock's statements and invested their money.

377. As a result of Garlock's actions, plaintiff suffered losses in the amount of \$1,000,000.

378. Garlock has been stealing and continues to steal the rents from the property.

379. It is this debt that plaintiff seeks to declare non-dischargeable.

XIX. FACTS RE JINA FARZIMPOUR

380. Plaintiffs reallege and reincorporate by reference the preceding paragraphs as though fully set forth herein.

1 381. On or about 2005, Ms. Farzimpour was induced to invest \$2,000,000 with William F.
2 Garlock for a property located on Mitten Drive in San Mateo.

3 382. Garlock acted as a broker in the transaction.

4 383. Garlock represented to her that he could sell her a percentage interest in the property and
5 that he would look after her interests by managing the property.
6

7 384. These facts were not true.

8 385. Under the terms of the mortgage on the property, a sale of any interest in the property
9 immediately made the mortgage due.

10 386. After Ms. Farzimpour gave Garlock her money, the bank foreclosed upon the property
11 and Ms. Farzimpour lost her entire investment of two million dollars. .
12

13 387. It is this debt that Plaintiff seeks to have declared non-dischargeable.

14 **FIFTEENTH CLAIM FOR RELIEF**
15 **(To Determine DISCHARGEABILITY of Debts for Property Obtained by False**
16 **Pretenses, False Representations or Actual Fraud)**
17 **11 U.S.C §523(a)(2)(A)**
18 **(Jina Farzimpour)**

19 388. Plaintiffs reallege and reincorporate the preceding paragraphs as though fully set forth
20 herein.

21 389. William F. Garlock induced Jina Farzimpour to invest her funds in various real estate
22 investments with him on Mitten Drive in San Mateo.

23 390. To induce her to invest, Garlock, written and orally, made statements regarding the
24 condition and financial operation of the property.

25 391. Garlock alleged that the he was the owner of the property and had the power to transfer
26 title to her in any percentage share she desired.

27 392. This representation was false.
28

1 393. The true facts were that a transfer of any portion of the property triggered the default
2 clause and that the mortgage, which was substantial would become immediately due.

3 394. Plaintiff reasonably relied on Garlock's statements and invested her money.

4 395. Immediately after the transfer, the bank foreclosed on the property.

5 396. Garlock pocketed the proceeds of Ms. Farzimpour's investment.

6 397. Garlock also stole all the rents and payments during the foreclosure period.

7 398. As a result of Garlock's actions, plaintiff suffered losses in the amount of \$2,000,000.

8 399. It is this debt that plaintiff seeks to declare non-dischargeable.
9
10

11 **XX. FACTS RE ERICA STANLY**
12

13 400. Plaintiffs reallege and reincorporate the proceeding paragraphs as though fully set forth
14 herein.

15 401. In 2006, in Santa Clara County, a judgment after trial was entered into against Garlock
16 and in favor of Stanly for Garlock's tortious violation of a lease agreement with Stanly.

17 The total amount of this judgment was \$516998.40
18

19 402. It is this amount of debt which plaintiffs seek declared nondischargeable.

20 403. A reading of the conclusions of law and findings of fact show that this debt was incurred
21 by fraud in violation 11.U.S.C 532.
22

23 **SIXTEENTH CLAIM FOR RELIEF**
24 **(To Determine DISCHARGEABILITY of Debts for Property Obtained by False**
25 **Pretenses, False Representations or Actual Fraud)**
26 **11 U.S.C §523(a)(2)(A)**
27 **(Erica Stanley)**
28

404. Plaintiffs reallege and reincorporate the proceeding paragraphs as though fully set forth
herein.

1 405. In 2006, in Santa Clara County, a judgment after trial was entered into against Garlock
2 and in favor of Stanly for Garlock's tortious violation of a lease agreement with Stanly.

3 The total amount of this judgment was \$516998.40

4 406. It is this amount of debt which plaintiffs seek declared nondischargeable.

5 407. A reading of the conclusions of law and findings of fact show that this debt was incurred
6 by fraud in violation 11.U.S.C 532.
7

8 **PRAYER**

9 Wherefore Plaintiffs pray:

- 10 1. That the court make a determination that the indebtedness of Defendant to Plaintiffs is
11 nondischargeable:
12
13 2. That the court determine the remaining issues and render a judgment for plaintiff in the
14 amount of their debts;
15
16 3. For an order awarding attorney's fees and costs incurred herein, as authorized by law; and
17
18 4. For an order awarding Plaintiffs such additional relief as this court deems just and equitable.

19 Dated: November 23, 2013

LAW OFFICES OF PETER H. BONIS

20
21
22
23 _____/s/_____
Peter H. Bonis
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